

History of the Drum Mine

Cyanide Heap Leach Technology was developed in the late 1960's. It allowed for the economical extraction of gold and silver from ore that was previously considered unprofitable. By 1980, when gold hit an all time high price (\$612.56 per troy ounce, average price for the year), mining companies both large and small were scrambling to develop marginal gold deposits and process the ore using the new technology. Unfortunately, many companies began projects with minimal capital and funding, and, as the price of gold dropped through the next two decades, dozens went bankrupt. In many cases, federal and state regulatory agencies had not foreseen the impacts of the new technology and reclamation bonds were not adequate to cover the costs of cleanup, leaving financial burdens to the taxpayers.

The Drum Mountains have historically been mined for a variety of minerals, not the least of which is gold. The area is pocked with hundreds of prospects; at the location of what is now the small pit of the Drum Mine a prospector had at one time sank a shaft into the ore body. He had abandoned his claims, as well as some of his property, long before Nevada Resources located the Yellow Cat claims in 1980.

Nevada Resources conducted extensive exploration on the claims, and found a gold deposit that Western States Minerals Corp. (WSMC) found worth developing. It purchased the property in 1983, and submitted a Plan of Operations to the BLM and UDOGM. The original Plan included three heaps. It later submitted an amendment to the Plan for two more heaps, and the amount of its reclamation bond was increased to \$264,080.00.

By the time Jumbo Mining Company (JMC) purchased the property late in 1988, five more heaps had been constructed unbeknownst to the Division of Water Quality. JMC did not wish to assume the liability for those heaps, and thus reclamation responsibility was split between the two companies. JMC posted a bond for \$165,000.00 and began operations, which included bringing in and leaching ore from outlying areas, and developing the Mizpah claims, upon which WSMC had also conducted exploration activities. During this period, JMC also discovered a contaminated perched aquifer under the heaps.

Relations between the two companies deteriorated over a mistake in the contract, and by 1991 they were embroiled in a lawsuit. JMC had by this time suspended operations. The lawsuit was decided in WSMC's favor late in 1997, by which time the BLM and UDOGM had been pressing both companies to begin reclamation. JMC declared bankruptcy early in November, 1997 just before gold hit an average monthly low of \$308.27 per troy ounce.

In 1997, the disturbed acreage at the Drum Mine was determined to be about 250 acres. This will increase during reclamation, as the slopes of the heaps are pushed out, and topsoil is borrowed from undisturbed areas. About 75 acres will be reclaimed by WSMC, the fate of the rest is not yet known. JMC's bankruptcy trustee is hoping the property will be purchased by a company who will continue the operation, and that the reclamation liability will be assumed by that entity. If that does not happen, the costs of reclamation will be derived from the bond, proceeds from the bankruptcy claim, and public funds.